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China's New Course—Menu for Abundance?

Report Card on Dairy Diversion
Page 8

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PERSPECTIVES

BOLD NEW DIRECTIONS FOR AGRICULTURAL POLICY were proposed in a special session on the 1985 farm bill at USDA's Agricultural Outlook Conference held in December. Session moderator, Professor Emeritus Don Paarlberg of Purdue University, expressed a popular view when he said: "Some people, lacking relish for a fight on the farm bill, think the problem could be averted by inaction . . . This would be a disaster."

The session provided a forum for viewpoints from Congress, a major input industry, the farm sector, and Agriculture Secretary John Block. In his remarks, Block outlined several objectives that are likely to be reflected in the Administration's farm bill proposal. As part of our continuing effort to stimulate discussion on farm policy options, we've selected several excerpts from Block's presentation:

"**Over the past 50 years**–particularly in the last decade–we have witnessed a tremendous change in agriculture. And, to be perfectly candid, it's been getting away from us. We have not used the proper tools . . . We have been playing catchup, chasing a rapidly changing agriculture with outdated farm programs. And we have all reached the point where we know it can't continue any longer.

"**Many of today's underlying problems** are far beyond the control of the individual farmer and, in fact, beyond the reach of any reasonable farm program. Without question, one of our highest priorities as a nation must be to resolve the problem of our budget deficit. At the same time, we must continue to lower interest rates and keep inflation under control if our farmers are to share in the ongoing economic recovery.

"**Another priority is to design a sound agricultural policy** to replace that which is currently on the books. [USDA's long-term outlook] shows . . . productivity beyond what you could imagine, and you know what that means. If government is to be involved in this future, then government must also acknowledge its responsibility in shouldering some of the blame and burden for the problems that continue to face this industry. Most importantly, it must take the lead in instituting more effective and responsive programs and policies.

"**We hope to have a proposed bill ready** for transmittal to Congress by the end of January. However, at this time, we can firm up some of the goals and objectives we see being included in a farm bill.

"**First, this farm legislation should be long term in design.** Unlike the previous omnibus farm bills, the 1985 legislation should clearly state the direction of farm policy through the end of the 20th century–not just for another 4 years. Farmers need the ability to make long-term decisions.

"**Second, we need a market-oriented bill** that will ensure that we are competitive in world markets. Loan rates for all commodities should be set at market-clearing levels and tied to a percentage of a historic moving average of U.S. market prices for each commodity.

"**Third, we need consistency.** For the first time, the farm bill should provide more consistency among commodity programs and other agricultural policies. International trade, conservation, credit, research, and grain reserve policies and programs should be integrated with the objectives of the commodity programs [to] help ensure that government programs are not working at cross purposes, as they so often do now.

"**Fourth, the legislation should provide for an orderly transition** period of, say, 5 years through all commodity programs, as well as on other programs. It should phase out obsolete and unnecessarily restrictive programs and phase in the market-oriented provisions. I don't believe in pulling the rug out . . . from underneath agriculture.

"**There is a desperate need for an agricultural policy** that is flexible, consistent, and long term in design . . . This country can no longer afford large, explosive, open-ended budget expenditures. This country can no longer afford farm policies that do not allow us to be competitive in the world. This country can no longer afford policies that lead to a misallocation of resources in the farm community. If a Herculean attempt is not made to adopt a responsive market-oriented farm policy, the U.S. will risk losing one of its most efficient industries." *Excerpted from remarks by Agriculture Secretary John Block on December 4, 1984.*

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FARMLINE

AGRICULTURE . . . NATURAL RESOURCES . . . RURAL DEVELOPMENT
Practical economic intelligence from USDA's Economic Research Service

FEATURES

China's Reforms Pay Off, But Not for U.S. Exports *by Doug Martinez* 4

China's experiments in tying income to output and allowing farmers to sell surpluses for profit are paying off in trade-busting harvests—good news for China, bad news for American farm exports. The Great Leap Forward for China's agriculture has severely depressed U.S.-China trade.

Rating the Dairy Diversion Program *by Ellen Banker* 8

Did the dairy diversion program work? Recent statistics are impressive, but the final verdict probably depends on what actions dairy farmers take in the year ahead. If they go back into an expansion mode when the program ends, pressure will be strong for further dairy policy changes.

Subsidies and Supports Sweeten the World Sugar Market *by Doug Martinez* 10

Although no one can produce sugar at the current world market price, no one fears a collapse in production. The reason is that relatively little sugar is bought or sold at that price. Nations that produce, export, or import sugar seem determined to maintain production or access. Their tools: preferential prices, subsidies, quotas, and price supports.

Do We Have Enough Farmland? *by Eric Van Chantfort* 13

The evidence shows that we have enough untapped capacity to sharply boost food production by converting available land and by using land more intensively. Yet despite this current "excess" and its implications, it would be a mistake to ignore our need to preserve resources for the future. The specter of scarcity could return to haunt us.

Counting on Farmers To Tell It the Way It Is *by Eric Van Chantfort* 14

Interviewers will soon be knocking on doors of thousands of producers selected for a major USDA survey on farm expenditures, income, debts, and costs of production. Those who keep track of farm conditions are hoping for a good response. This is one of the best ways for farmers to get their story out, says one analyst, who also claims that the new survey is a big step in the right direction.

DEPARTMENTS

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China's Reforms Pay Off, But Not for U.S. Exports

China's agriculture seems to be in the midst of a Great Leap Forward.

The country has taken several sure steps to increase production and improve diets, and the results have already had an impact on U.S.-China trade. China is less dependent on grain imports today than it was just a short time ago.

Its limited but so-far successful experiments in relaxing the tightly controlled rural economy, allowing farmers to keep the profits from sales of surplus production, are paying off.

New production marks have been set in each of the last 3 years, and 1984's grain output is estimated to be the fourth consecutive record-setter. Combined production of rice, wheat, corn, sorghum, millet, potatoes, and soybeans was 304 million tons in 1978. By 1981, it was 325 million tons. The projection for 1984 is 400 million tons.

"China is instituting programs and policies which motivate farmers to reduce costs, introduce new production techniques, and improve efficiency down on the farm," says USDA economist Frederick Crook, a China specialist with the Economic Research Service. "Reforms have boosted productivity, and a new incentive system that rewards the extra efforts of farm households has helped boost production."

The rapidly expanding economy is evident in the changing look of the countryside, where there have been "dramatic improvements in living standards," says Crook. Among them are the increase in quantity and variety of food and clothing, an expanding array of consumer durables, and the construction and renovation of housing throughout the nation's rural areas.

China's agriculture is also benefiting from the increasing use of inputs such as fertilizers, electricity, improved seeds, and farm machinery, which have helped raise yields and increase productivity.

Impact on Trade

Because of its success in adopting some market-oriented techniques of Western-style enterprise management, China's dependence on U.S. commodities, particularly grains, is likely to remain fairly limited in the short term.

As the end of 1984 approached, analysts noted that China would not meet its obligations under the long-term trade agreement to purchase and ship a minimum of 8.2 million tons of U.S. grain by year's end. That figure includes a shortfall of more than 2 million tons that was part of the 1983 commitment.

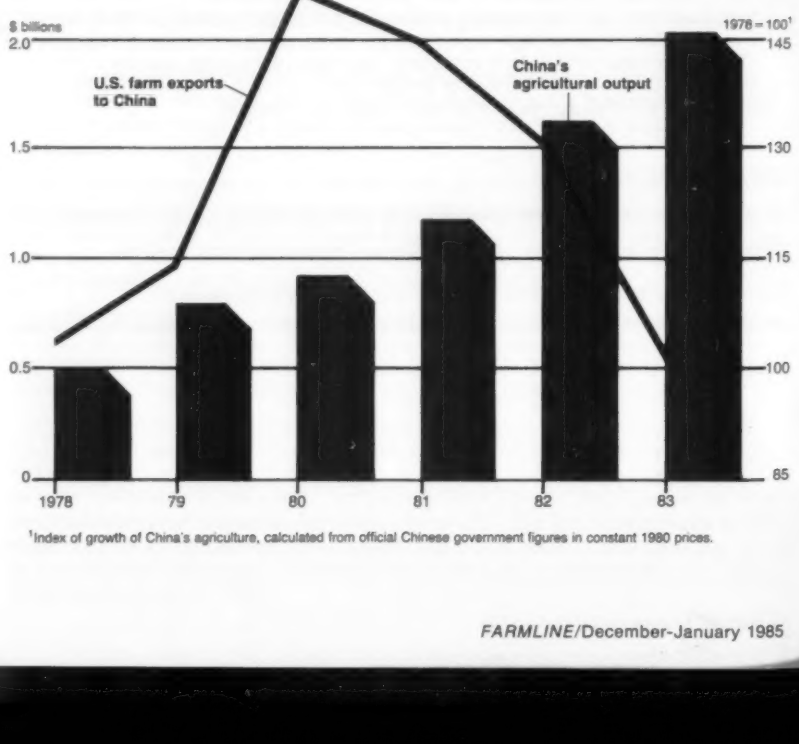
"China's need for wheat and corn will continue to grow because of rising population, income, and livestock feeding," says Crook, "but the large stocks that have been built up following the record crops are depressing import requirements. Consequently, imports will be well below previous peaks."

The rapidly expanding economy is evident in the changing look of the countryside, where there have been significant improvements in living standards.

The peak was reached in 1980, when China bought 8 million tons of U.S. grain, and its total imports of U.S. farm products were worth more than $2.3 billion. Since then, the value has declined sharply. In 1982, U.S. farm exports to China were valued at $1.5 billion. In 1983, trade fell nearly $1 billion to $544 million. The 1984 figure will be higher, but only by a little more than a hundred million dollars.

Through November 1, just 4.3 million tons of U.S. grain had been contracted for by China for delivery in 1984. The

With Its Agriculture Surging Ahead, China Is Less Dependent on U.S. Farm Products



[1]Index of growth of China's agriculture, calculated from official Chinese government figures in constant 1980 prices.

Pedal-powered rice threshers are widely used throughout China. *Photo by Carolyn Whitton.*

main reason seems to be continued low import requirements.

"This year, at least, the textile issue has been a red herring," says economist Fred Surls, who heads ERS' China section. "Although we have some trade disputes with China, particularly in the textile area, these disputes have not been a significant factor this year."

Running Out of Storage

They have more grain than their system can handle, he adds. "They have virtually run out of storage, and they're now exporting corn, soybeans, and cotton, in addition to their usual rice sales."

The production gains have affected all of China's suppliers, not just the United States, he says. China has stopped buying wheat from the European Community and Argentina, and it appears to be running behind in its imports from Canada.

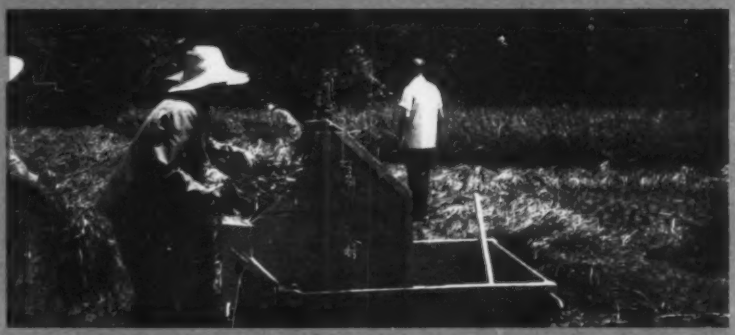
"In the last 6 years, total grain production grew almost 100 million tons, with wheat and rice accounting for more than 70 percent of the increase," Surls says. "China's 1984 wheat output is now estimated at 85 million tons. Cotton output will reach 25.3 million bales (5.5 million tons) in 1984, a 150-percent increase since 1978."

Surls and Crook are optimistic that, in the long run, China will be back to buy big from the United States. They cite the country's population, expanding by an estimated 15 million people a year, and its long-term growth in demand for feed grains to increase livestock numbers so more meat is available for China's consumers.

Also on the positive side: China's reliance on the United States may soon reach to advanced agricultural technology. Sales of U.S. seeds, hybrids, and livestock varieties are expected to increase. □

[Based on information provided by economists Frederic Surls and Frederick Crook of the International Economics Division, Economic Research Service.]

Images of the New China: Working for Profit



China is changing.

It's happening in little ways...

A peasant, sold on the entrepreneurial spirit, sees a market for a new summer thirst quencher and prepares to sell soft drinks bottled at home on his own manual machine.

And in large ones...

Thousands of townships practice a form of free enterprise, primarily by allowing farmers to sell surplus output on open markets and reap the profits.

China is changing. And it's happening more rapidly and remarkably than many might have predicted or imagined, says economist Carolyn Whitton, a China analyst with USDA's Economic Research Service.

The images and ideas Whitton brought back from her recent 5-week journey through the most populous nation on earth convinced her that China has set a new course and is determined to see it through.

"The spirit of the people is striking," says Whitton, whose travels took her to the fabled port city of Shanghai in the east, the capital city Beijing (Peking) in the north, west to the rich rice-growing area of Sichuan, and south across the Chinese heartland to Canton City, near Hong Kong. "The thing that impressed me the most was the enthusiasm for the new responsibilities involved in tying income to output."

Whitton's visit preceded China's October announcement of major reforms in its industrial system, allowing some factories more freedom to plan production, find markets, and set wages and prices. Analysts speculate that the largely successful experiments with free market incentives in agriculture

(continued on next page)

China's Farm Output Shows Rapid Growth Since 1978

	Rice	Wheat	Coarse grains[1]	Cotton	Oilseed crops[2]
			million tons		
1978	136.9	53.8	79.1	2.2	16.4
1979	143.7	62.7	83.1	2.2	17.4
1980	139.9	55.2	84.2	2.7	20.2
1981	144.0	59.6	80.8	3.0	24.5
1982	161.6	68.5	83.5	3.6	27.1
1983	168.9	81.4	92.4	4.6	28.6
1984[3]	174.0	85.0	94.5	5.5	30.2
% gain 1978-84	27%	58%	19%	150%	84%

[1]Includes corn, sorghum, millet, barley, and oats. [2]Includes soybeans, cottonseed, peanuts, rapeseed, and sunflower seed. [3]Estimates.

strongly influenced the decision to extend the reforms to other areas of the economy.

Modest Free Enterprise Experiments

For Americans, all this might suggest a Chinese bow to capitalism. What Whitton saw, however, was little more than a nod in that direction, one that retains distinct differences from America-style enterprise. Major economic decisions were still coming from the top, even though the leadership has found it useful to introduce competition and incentives in order to boost farm production and improve diets and incomes.

What Whitton describes as a "lot of positive propaganda" went into the reshaping of Chinese agriculture, which began in 1978.

"The people were hesitant at first to believe any change would be long lasting after the kind of upheavals the country had experienced," she says. "That people have come to accept it is remarkable in itself."

Certainly, the tangible taste of a higher standard of living had something to do with it.

New System Spurs Initiative

"Generally, after a program works well for several years, it begins to build confidence," Whitton says. "Seeing people making money makes others believe, and it also helps that the successful ones were publicized as role models by the government."

She witnessed whole families working in the fields, an example of enthusiasm for the new system "that wasn't typical in the old commune system." Specifically, the current farm system allows some farm production above state-mandated quotas to be sold privately. Families sign contracts to produce a specified amount to fulfill collective and state obligations. They're permitted to retain the surplus for themselves, sell it to the state at higher prices, or sell it on the free market.

"Although there is no private ownership of land, farm families are given 15-year leases to specific tracts of land," she says. "That gives them the confidence and security to invest in their land, to use fertilizers and farm machinery to boost yields."

China's planners, convinced that the farm sector is overcrowded, want to encourage some people to change occupations in their rural communities, thereby strengthening the industrial base of small towns and helping the government provide better rural services without substantially increasing its investment.

The new vision for China's agriculture is that of a modern nation with transportation networks linking specialized production areas in order to supply all consumers with a better diet.

For those workers displaced from the farm, there's work awaiting them as well in the new China.

"The government is prodding its people to get involved in light industry, things like small grain-grinding operations, handicrafts, and modest noodle and cracker production facilities," says Whitton. "They're suggesting quite a lot of things, including transportation, local commerce, repair services, animal industry, and forestry."

Retailing Gains Foothold

China's central government is also permitting, if not actually pressing, the growth of tiny retail shops selling clothing and other consumer items.

"Even in the smaller cities, I saw people crowding markets, buying from little stalls that were selling all kinds of things," Whitton says.

The most unusual merchandiser she saw: a manicurist, who in the best bourgeois tradition was preparing for the day when he would be filing and painting away while women chattered excitedly and held their outstretched hands high for inspection, comparing the new-found elegance of each other's nails.

However, the authorities exercise fairly strict control. "One thing should be kept in mind," Whitton says. "China is and will remain a socialist economy. The government intends to keep careful control of the free market sector of the economy."

For Whitton, the varied images suggest a developing country on the fast and frequently bumpy road to modernization.

"In the 1950's, 1960's, and 1970's, one would see bicycles, wrist watches and sewing machines as the most popular consumer durables that were generally available," Whitton says. "In the 1980's, it's fans, tape recorders, and televisions. Refrigerators and washing machines are on the way. But China is still a poor country. Because they made so little progress in improving living standards until recently, there is a lot of catching up to do."

Street vendors abound in China's cities, such as this one selling bell peppers in Wuhan. *Photo by Frederic Surls.*

REPORTS IN THE NEWS

China By the Numbers

Between 1949 and 1982, China's population nearly doubled, from 542 million to more than a billion people. In the same period, however, grain production more than tripled.

In 1970, China had only about 73,000 small and hand tractors. By 1982, there were more than 2 million.

Detailed statistical information about China's agriculture, much of it available only recently after many years without data, has been compiled in a new ERS publication. Based on official Chinese government data, the 71-page publication was prepared by economist Carolyn Whitton.

Included in the report's 63 tables is information on land use; population; procurement prices paid by the government for agricultural commodities; agricultural inputs; crop production, area, and yield; livestock inventories; and imports and exports by commodity. Many tables detail the story of China's farm sector since 1949. Also presented is a series for 1979-82 covering area, yield, and production of most major crops and livestock by region and province.

"During the 1950's, the Chinese Government published abundant data," says Whitton. "The economic disasters of the late 1950's, however, led to a two-decade period during which no official statistical data were released. Following the death of Mao Zedong (Tse-tung) in 1976, China began rebuilding its statistical system. The information gap is gradually closing, although there's much valuable data that is still not available."

Agricultural Statistics of the People's Republic of China, 1949-82 *by Carolyn Whitton. (Published October 1984; 71 pages of tables; GPO stock number 001-019-00365-1; $3.00.)*

Charting Rural and Urban Trends

How do U.S. nonmetro areas stack up against metro areas, and how are both changing?

A new, colorful "chartbook" focusing on socioeconomic trends provides some quick, clear answers. Its charts, maps, and tables measure differences in population, employment, income, poverty, housing, and the role of government in nonmetro and metro areas.

Brief summaries of the highlights accompany each chart. Maps are color-coded to provide county-by-county information on such indicators as population change, the leading sources of income, percent of people in poverty, and percent of housing with inadequate plumbing.

Here are a few examples of trends illustrated in the booklet:

- The population in rural and small town communities grew faster than in metro areas during the 1970's; the rate was 15.8 percent, compared with 9.8 percent growth in cities.
- Adjusted unemployment rates were nearly identical in metro and nonmetro areas until 1978; since then, nonmetro rates have been consistently higher.
- Median family income for the nonmetro population was about 80 percent of metro income in both 1973 and 1982.
- Agriculture's share of total earnings in nonmetro areas declined from 17.1 percent to 7 percent between 1973 and 1980.

Chartbook of Nonmetro-Metro Trends *by researchers of the Economic Development Division, Economic Research Service. (Published September 1984; 43 pages of charts, maps, tables, and capsule summaries; GPO Stock No. 001-019-0035-1; $2.50.)*

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Rating the Dairy Diversion Program

Did the dairy diversion program work?

"It's too early to make a final judgment," says dairy economist Cliff Carman of USDA's Economic Research Service. "We're still producing about 8 billion more pounds of milk than we used in 1984. However, the program certainly contributed to a reduction in the amount of milk marketed and a steep drop in purchases by the Commodity Credit Corporation (CCC)."

The statistics are impressive.

In 1983, milk surpluses (supply minus use) were so large that CCC purchases of excess cheese, butter, and nonfat dry milk jumped for the third straight year, reaching 16.8 billion pounds on a milk-equivalent, fat-solids basis. That set an all-time record. For 1984, by contrast, net purchases from January to October were down 48 percent from the same period in 1983 and should be a little less than half of 1983's level when figures are in for the entire year.

Milk production for 1984 is estimated at about 136 billion pounds, down 2.8 percent from production in 1983. This is the first drop in 6 years.

Although Carman cites these statistics, he contends that they don't really answer the question. The final verdict on the program, he says, depends on what actions dairy farmers take in the coming year.

The diversion payments were intended to offer short-term relief, allowing farmers time to adjust their resources to create a closer, longer term balance between milk supply and demand. The diversion program ends on March 31, 1985, and is not expected to be extended.

"If producers increase milk marketings significantly beginning next April, by 1986 we could end up back in circumstances similar to those of 1983," Carman says.

Tracing the Causes

Even the progress we've made this year, he adds, must be interpreted with some caution. While the diversion program played an important role in cutting the milk supply, so did the combination of lower milk prices, the 50-cent-per-cwt and 15-cent-per-cwt deductions, higher production costs and reduced availabilities of feed, and an improvement in off-farm employment opportunities. In addition, the surpluses were cut by a larger than expected increase in milk and dairy product consumption.

Commercial use is up about 3.6 percent over 1983's sales. "This is due, in part," Carman says, "to an improved economy, real price declines for dairy products, and lower unemployment."

Consumer incomes are rising at a time when prices for dairy products are not increasing as fast as prices for many other foods. And the dairy industry is trying to win over more customers by pointing out the relative benefits of dairy products over the competition.

The new aggressive advertising that began last fall is part of national and local promotional campaigns funded, in part, by dairy farmers themselves through a 15-cent-per-cwt deduction on milk sales. Mandated by the same legislation as the diversion program, the deductions have contributed an additional $130 million to the promotional cause. In all, about $200 million will be spent on promotion by the end of next August, up sharply from what had previously been spent by the industry on such campaigns.

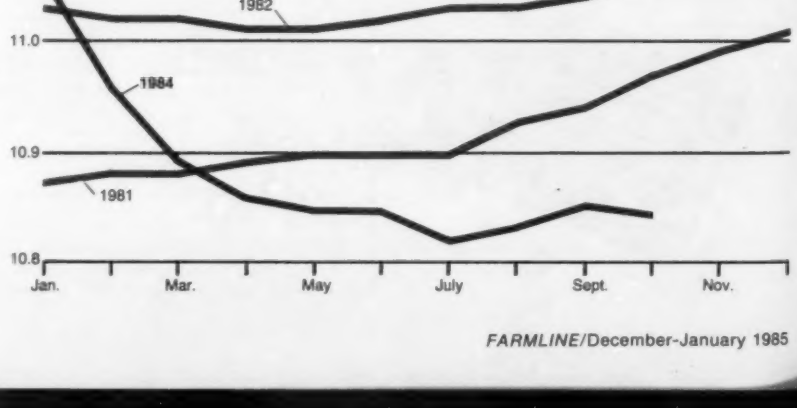
But, Carman points out, neither an improving economy nor intensive advertising can keep the industry in balance if producers shift back into an expansion mode.

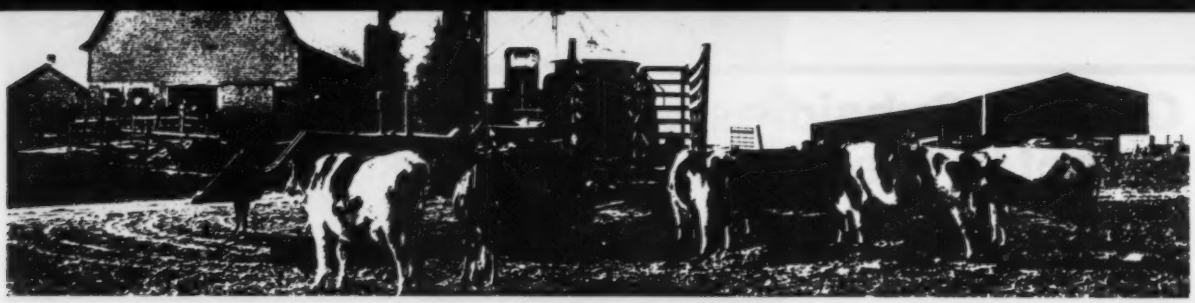
There is some evidence from summer milk cow replacement numbers that producers may be intending to do just that. In addition, feed costs are down, and the 15-month diversion program has only a few more months to go.

Anatomy of a Diversion Program

The program began last January, prompted by the need to reduce sur-

The Dairy Diversion Program Takes Most of the Credit for a 320,000-Drop in the Number of Milk Cows on Farms From October 1983 to October 1984





pluses and government expenditures. Dairy farmers who are participating receive $10 for every 100-pound (cwt) reduction in milk marketings from 5 percent to 30 percent of their 1982 or average 1981/82 "base" marketings.

The terms seem attractive. The $10 payment rate is roughly one and one-half times the average rate of return producers can expect to receive over their feed and other variable production costs, according to Carman. Yet participation in the program is lower than many people had anticipated.

Roughly 38,000 producers—representing only 12 percent of the nation's milk cow operations or one-fifth of the commercial dairy farms—signed contracts to reduce marketings below their base.

However, differences in participation by region were pronounced. Pennsylvania producers, for example, contracted to reduce marketings the equivalent of 2 percent of the state's overall base, while Florida producers signed up for a 15-percent reduction. Diversions were heaviest in the South, the Plains states, the western Corn Belt, and some Mountain states.

Participation was relatively limited in the Northeast and around the Great Lakes and Pacific Coast—the major milk producing regions.

The amount of the diversion in the five major dairy states—Wisconsin, California, New York, Minnesota, and Pennsylvania—was 3.8 percent of 1983's production, little more than half the rate of the other 43 states. (The program excludes Alaska and Hawaii.)

The year-to-year reductions because of the program will probably come mostly from Georgia, Florida, Kentucky, Nebraska, Kansas, Missouri, Oklahoma, and Arkansas.

Why the Disappointing Signup?

Many milk producers didn't sign contracts, including 30 percent of those who had bothered to establish a program base with USDA.

Participation in the program was lower than many people had anticipated it would be.

"We've determined that there are a lot of producers out there who made reductions before the program started. And, even though they would have qualified for the payments, they didn't sign up for the program. We're really not sure why," Carman says.

"Others, particularly those who expanded production since the base period, may have decided that compliance with a contract would not be profitable," Carman adds.

A producer with average costs and returns, who had expanded by a modest 5 percent above his or her base in 1983, would have had to cut production by more than 14 percent in 1984/85 just to break even. (Mathematically, that includes cutting marketings 5 percent to offset the expansion for which no payment would be made, and then cutting another 9 percent to qualify for a payment large enough to make up for the reduced volume.)

Necessary reductions would have been almost prohibitive for producers who had expanded by 10 percent or more. And these producers accounted for a large share of 1983's output.

"Others decided that it would just cost too much to trim their herds and then bring production back up after the program ended," Carman says. Selling a good cow for beef represents a capital loss of about $500.

Other reasons undoubtedly played some role: Dairy farmers are relatively unaccustomed to supply management programs.

The law allowed them a fairly short time to digest complex regulations and to make a decision. Some were unsure about whether they would qualify because they sold or transferred ownership of cows after the November 8, 1983, deadline. And since the potential penalties for not complying with a contract are severe, some producers felt that their business independence would be too sharply curtailed. Others are against participation in government programs on principle.

What Happens Now?

After 30 years of operating the dairy price support program to remove surplus dairy products from the commercial market, the diversion program was the first attempt to add voluntary supply-management provisions. It apparently helped reduce production and contributed to a sharp drop in government purchases.

"However, it is unlikely that this kind of voluntary incentive program can eliminate a surplus the size of the one we had in 1983," Carman says. It's also unlikely that a similar program will be instituted again in the near future.

The government support price for milk can be cut by 50 cents on April 1, 1985, if CCC net removals (purchases less unrestricted sales) from the market are projected to exceed 6 billion pounds on a milk-equivalent basis. Another cut of 50 cents per cwt is authorized on July 1 if removals are expected to be greater than 5 billion pounds. Even with both these cuts, Carman projects 1985 milk output at about 137.3 billion pounds, 1 percent above 1984's production. This suggests that pressure will continue in 1985 for further dairy policy changes.

"Much of the 1982 and 1983 legislation evolved from an attempt to address the problems of excess milk supplies and large government purchases," says Carman. "Unless policymakers are convinced that these problems are being solved by current programs and the industry's own efforts, other solutions will be considered." □

[*Based on material provided by economists Cliff Carman and Jim Miller of the National Economics Division, Economic Research Service.*]

Quotas, Subsidies, and Supports Sweeten the World Sugar Market

Is the crunch coming in a world market overflowing with sugar?

It might seem so.

Despite production cutbacks in 1983/84 and only moderate increases expected in 1984/85, world sugar surpluses will probably remain very large, keeping prices down. Free-market prices are already considered to be below break-even levels for producers here and abroad.

Raw sugar was recently selling for just 4 cents a pound (f.o.b. Caribbean) on world markets, its lowest level in 13 years.

Another sour note in the commodity's prospects involves the fate of the international body that tries to stabilize world sugar prices. The 60 nations in the International Sugar Organization (ISO), including the United States, failed to reach an agreement that would have renewed the ISO's authority to negotiate export quotas and rules for holding and releasing reserve stocks among its members.

The ISO will officially end its efforts to balance supply and demand on December 31, retaining only its role as a collector of statistics through 1986. Although the organization hasn't been very successful in supporting world sugar prices in recent years, its pending breakup won't help either.

If all this seems to suggest that a collapse in production may be right around the corner, don't bet your sweet tooth on it. It will take more than the current slump in prices and a stripped-down ISO to slash the ranks of those in the sugar business.

"No one can produce raw, centrifugal sugar (which has undergone initial processing from cane or beet) for 4 cents a pound, but there's no fear of a collapse in production," says economist Steve Milmoe, a commodity analyst with USDA's Economic Research Service.

The reason is that relatively little sugar is bought or sold at the prevailing world price of 4 cents a pound.

Little Sugar Sold on Open Markets

Currently, only about 18 percent of the world's sugar production is traded in the open market. Much of the remaining output from sugar beets and sugarcane is sifted through bilateral trade agreements, trade preferences, quotas, domestic subsidies, and price supports.

Nations that grow this commodity are usually willing to provide price supports for producers. Those that import, or export, are willing to pay premium prices or offer subsidies to minimize supply and demand disruptions.

Major trading nations such as the United States, the Soviet Union, and the European Community purchase sugar from Third World countries as part of quasi-barter, foreign aid arrangements. Virtually all countries want to ensure an adequate, affordable supply for their citizens.

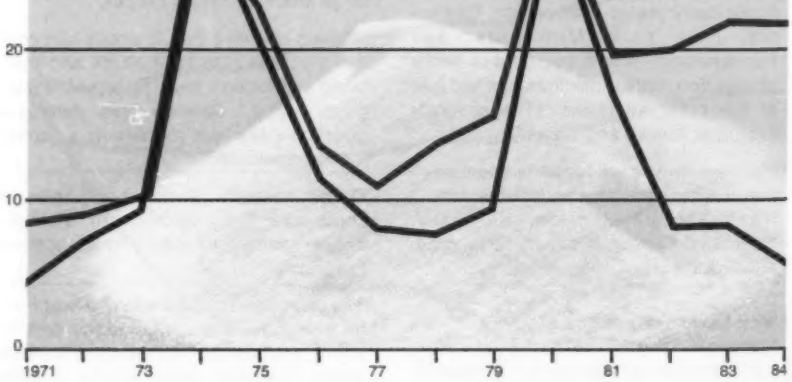
Sugar, says Milmoe, is a major commodity in the world agricultural economy and in the individual economies of many nations. Its importance is measured not only by the size of the trade itself, but also by sugar's role as the key sweetener in the average diet.

Its value is readily seen in the production priority it receives. For many farmers in tropical countries, it is one of the few cash crops that can be grown for export.

"In many of the richer and poorer countries alike, sugar producers and processors are given the assistance they need to compete successfully for a sizable portion of the resource base, including land, labor, fertilizer, pesticides, and capital investment in crushing mills," Milmoe says.

Sugar is also one of the most widely traded commodities on the world market. Statistics from the United Nations Food and Agriculture Organization indicate that in a 1980-82 averaging

World Sugar Prices Fall To Lowest Point Since 1971, But the U.S., Like Many Other Nations, Supports Domestic Prices



*Figures are for contract #11 (world price) and contract #12 (New York price) on the Coffee, Sugar & Cocoa Exchange, Inc., in New York from 1971 to October 1984.

Many sugar producing countries receive premium prices through lucrative trade accords.

of the value of world agricultural trade by commodity, sugar was fourth, surpassing corn, coffee, and cotton. Valued at more than $13 billion annually during that period, sugar trade was outranked only by trade in wheat and flour, fresh and frozen meat, and soybean products.

Premium Prices Paid

Most of this trade is conducted outside the world free market, often at premium prices.

"The Soviet Union, for example, buys nearly half of its imported sugar from Cuba, about 3 million tons a year, at prices estimated in the vicinity of 40 cents per pound," Milmoe says. "In addition, Cuba exports another 1.2 million tons at preferential rates, generally involving barter for machinery, to other Soviet bloc members."

Political considerations are an important factor in this instance, yet Cuba is only one of the many sugar producing countries that receive premium prices through lucrative trade accords.

"For example, any country that has a quota to export to the United States doesn't receive the world price, but rather one very close to the U.S. price, which is currently 22 cents a pound," Milmoe says.

Similarly, the European Community (EC) has a pact with certain sugar-producing countries in Africa, the Caribbean, and the Pacific that guarantees an EC market for 1.4 million tons of raw sugar at about 20 cents a pound.

Just in these few markets, nearly 9 million tons of sugar, or about a third of the sugar marketed internationally, is traded at preferential prices. At the present time, these agreements guarantee sugar exporters a minimum of five times the world sugar price.

These accords are sometimes augmented by both production and export subsidies within the countries themselves.

Subsidies Are Part of the Story

Some nations guarantee a particular return to the producer. This supported price is usually above the world price and has prompted overproduction. Nations that are faced with surpluses above their domestic needs encourage exports by offering subsidies or a rebate to their exporters.

Milmoe explains that "exporters who trade at world prices are in a vulnerable position in the world sugar market, given the variability of world price. If exporters, or producers, do not know whether they'll receive 4 cents or 40 cents a pound in 2 to 3 years, it will certainly affect their decisions."

The EC, for instance, is both an exporter and an importer and is currently offering a subsidy of about 15 cents a pound on much of the sugar it sells abroad. This allows EC sugar exporters to offer sugar at the world market price of 4 cents and receive a total of 19 to 20 cents in combined revenue per pound. From October 1983 to September 1984, Milmoe notes, the EC exported an estimated 5.4 million tons of sugar—mostly white or fully refined—at the world price, primarily to developing countries. Of that total, 3.6 million tons received an export subsidy (or rebate) from the EC, amounting to a $1 billion subsidy.

Export subsidies and protective domestic tariffs complement price support programs in many countries, all of which work to assure a profit to the processor and, indirectly, the grower.

"This can be done in one of two ways," Milmoe says. "The first is for the government to agree to purchase all sugar offered at a specific support price. The second way sugar prices are supported is through a direct deficiency payment to processors to make up the difference per pound between the support price and the market price. This latter method eliminates the need for government stockpiling as well as protective tariffs. It is not the method governments most often choose."

Balancing Interests

Milmoe says that support prices within a country are generally set considerably above the world price of sugar.

"Industrialized countries frequently enact policies that favor the producer," Milmoe says. "Some minimum average return is guaranteed, providing produc-

Who Are the Leading "Actors" in World Sugar Trade?[1]

Producers		Exporters		Importers	
thousands of metric tons produced, exported, or imported					
Brazil	9,400	Cuba	7,000	USSR	5,500
USSR	8,700	France	3,250	United States	2,880
Cuba	7,500	Brazil	3,100	Japan	1,940
India	7,451	Australia	2,360	China	1,850
United States	5,017	Thailand	1,600	United Kingdom	1,500
China	4,000	Philippines	1,250	Canada	1,010
France	3,870	Dominican Rep.	955	Egypt	780
Australia	3,300	India	905	South Korea	690
Mexico	3,100	Argentina	760	Nigeria	650
West Germany	2,725	West Germany	750	Iran	650

[1]Figures are of centrifugal sugar for the 1983/84 marketing year. Source: Foreign Agricultural Service.

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ers with relative price stability in their decisionmaking. Although consumers do benefit from price stability and the assurance of a domestic supply, consumers and taxpayers usually bear the cost of these programs in the form of higher prices and taxes."

In contrast, he says, the less developed countries usually have more consumer-oriented policies.

"Retail price ceilings are common in many developing countries, where food purchases can account for up to 70 percent of disposable income. Commodities such as sugar, wheat flour, and cooking oil are often sold at subsidized prices in government or quasi-government outlets," Milmoe says.

"Some markets set prices so low that fulfilling the demand at the ceiling price, generally a very affordable amount, requires substantial imports. At the same time, producers in these countries are not given enough profit incentive to expand and, in many cases, to even stay in business. The less developed countries that have been able to provide at least for domestic consumption, notably Brazil, India, and Pakistan, are the ones that have been more flexible, allowing the market to operate more freely."

Sugar millers in India, for example, must sell 65 percent of their output at a state-mandated price in order to provide for domestic consumption. However, these millers are able to raise their revenues by selling the rest of their sugar for whatever the market will bear.

For the year ahead, the world sugar market will likely stay weak because of the oversupply.

"The sugar market is very insulated and likely to remain so because of sugar's perceived value," Milmoe says. "And the protection afforded sugar can itself be a cause for the instability of the world market. Since most sugar producers do not experience the full effect of lower world prices, but rather some higher support price, they continue to overproduce. This drives prices even lower."

That will put some pressure, he says, on the various price and income support programs, especially in countries that have high production costs.

"I don't see any real threat of collapse in the world sugar market, but it's quite likely that shifts in production will continue as the high cost of support programs causes policy changes to occur. Other factors are at work, however. The recent emergence of the EC as a large net exporter of sugar appears to be a new feature of the world sugar market," Milmoe says. "Add to this the fact that government support programs and trade agreements are fairly unresponsive to change, and it's likely that efficient economic adjustment will be even more difficult in the future than it has been in the past." □

[Based largely on information provided by economist Steve Milmoe of the International Economics Division, Economic Research Service, with additional information provided by economist Stephen Sposato.]

Cycles of Spikes and Slumps

Sugar tends to follow a cycle characterized by 5-to-10-year periods of low world market prices interrupted by 1 or 2 years of price explosions. Since 1950, price "spikes" have occurred five times, the latest in 1980/81.

The sources of price volatility include: the inability of producers to adjust rapidly to changing economic conditions; price supports and trade policies that insulate producers from market fluctuations; and the decisions of individual governments to restrict exports in poor crop years and dump surpluses on world markets when their output exceeds their domestic demand.

In addition, few nations are willing to reduce their production of this prized commodity, while many are eager to take advantage of any price jumps. Once new processing facilities are in place, there's a strong incentive to keep them busy and a strong reluctance to close them down because of the large initial investment and startup costs. So each time sugar prices go up, sugar production rises, prices soon decline, and consumption again begins a slow, steady catchup path.

World Stocks Now Exceed 40 Million Tons As Production Grows Faster Than Consumption

	Production	Consumption	Ending stocks
	millions of metric tons		
1973	80.0	80.0	17.3
1974	78.5	77.1	18.9
1975	81.7	79.2	21.0
1976	86.3	81.9	24.8
1977	92.5	86.2	29.9
1978	91.2	89.7	30.6
1979	84.2	89.5	23.6
1980	88.8	89.7	22.7
1981	100.6	90.5	32.8
1982	101.4	93.8	40.3
1983	95.6	95.6	40.3

Source: Foreign Agricultural Service.

For now, sugar is well entrenched in the surplus phase.

World stocks have climbed from 25 percent of global consumption in 1980 to more than 40 percent. The European Community, a net sugar importer before 1977, is now a net exporter, subsidizing both production and exports. Meanwhile, world consumption is rather stagnant. Per capita consumption has leveled off in North America, Latin America, Europe, Japan, and some other areas, and corn sweeteners continue to eat away at sugar's markets.

Do We Have Enough Farmland?

Questions about whether the United States has enough farmland for future food and fiber production haven't faded away. They've just receded into the background, upstaged by today's concerns over crop surpluses and farm financial conditions.

To Robert Boxley, the "production capacity" issue in agriculture is as important as it ever was for two reasons: the potential for price-depressing surpluses in the years ahead and the uncertainties for the decades beyond. Boxley is a natural resource economist with the Economic Research Service, and his focus is on land.

"Overall," he says, "the evidence suggests that we now have substantial untapped capacity to boost food production by bringing more land into production and by using our land more intensively."

Some of the evidence comes from recently compiled results of the 1982 National Resources Inventory, one of USDA's most extensive surveys ever on the nation's soil and water resources. The study identifies 421 million acres of U.S. cropland. Not all this acreage is planted. USDA analysts estimate that about 387 million acres were actually used for crops in 1982, the year before PIK and other cropland diversion programs took 82 million acres temporarily out of production.

Should more land be needed, the available acreage may be even greater than those figures indicate. Based on physical land characteristics and 1981 price relationships, 153 million acres nationwide are considered to have a high or medium potential for conversion to crop use.

Using Land More Intensively

Boxley also notes a continuing trend toward more intensive use of farmland. He points to reductions in crop failure rates, more double-cropped acreage, and increased use of irrigation, especially supplemental irrigation in the eastern United States.

Before 1958, crop failure generally took more than 10 million acres a year out of production. Between 1958 and 1982, only 7.2 million acres a year, on average, were lost, but that "may be near the practical minimum," he says.

For today's needs and tomorrow's, how much farmland is enough?

In contrast, double-cropping and supplemental irrigation may still hold considerable potential for gaining additional output. In 1982, 14 million acres were double-cropped, compared with just 5 million acres in 1972. Some projections indicate that about 22 million acres will be double-cropped by 1992.

Roger Hexem, a land use specialist in ERS, notes that a major factor in the recent growth of double-cropping is the increasingly common practice of planting soybeans following winter wheat. Twenty-two states report at least some double-cropping of soybeans. A third to a half of total soybean acreage is double-cropped in some areas.

"Double-cropping requires good soil moisture conditions and careful management, but there are no apparent physical constraints to further expansion of double-cropping in the South and even in more northerly states," Hexem says.

He credits recent expansion to: faster maturing plant varieties; the growing use of minimum-till and no-till practices that permit immediate reseeding after harvest; artificial crop drying technology that allows earlier harvests; machinery that speeds up seedbed preparation; greater use of herbicides and pesticides; and the role of supplemental irrigation in assuring rapid seed germination.

Irrigating for Extra Bushels

Supplemental irrigation raises another possibility of getting more out of the land by avoiding plant stress and yield loss during critical stages of plant growth. The use of irrigation in the 31 humid eastern states (from Minnesota to Louisiana and eastward) has grown steadily, although the total acreage is still not large. In 1978, nearly 7 million acres were irrigated in this area, up 2.8 million acres since 1969.

Researchers contend that irrigation will probably become increasingly common in water-abundant areas.

"From the vantage point of the present," Boxley adds, "it is clear that some of the concerns of a few years ago were overblown. Our capacity for expanding production is much greater than we've sometimes assumed, even without major technological changes."

Is he implying that the capacity question gets too much attention? "Not at all," he answers. "Excess capacity has serious implications for farmers' returns and the policies that may be needed to assure a healthy agricultural sector."

He also cautions that we have to look beyond the present situation. The specter of scarcity, raised so often during the export boom years of the 1970's, could surface again. "If history teaches us anything, it should teach us not to draw long-term inferences from short-term phenomena," he says.

"Our land resources are finite and susceptible to damage if we use them unwisely. It would be a mistake to ignore questions regarding the long-term sufficiency of our land base, the costs of bringing additional land into production, and the environmental consequences of using fragile land more intensively."

Boxley urges more attention for the production capacity question so that farm and land policy decisions can seek a balance between immediate concerns and an objective assessment of our longer term needs to preserve resources for the future. □

[*Based on information provided by economists Robert Boxley and Roger Hexem of the Natural Resource Economics Division, Economic Research Service.*]

New Survey Is Counting on Farmers To Tell It the Way It Is

"We're not sales people," claims one USDA analyst. "All we can do is tell farmers why the information is needed and what it's used for. We count on their cooperation based on a recognition that it's in their own interest."

He could be talking about many surveys, but he isn't. Instead, he's referring to a major one, now in the final planning stages, that will ask farmers about their 1984 farm production expenses, debts and assets, income, production practices, and costs of production for selected commodities.

The notification letters will go out in mid-January to 24,000 farmers and ranchers across the nation. This large random sample represents a cross section of American agriculture. In the 6 or 7 weeks that follow, someone will be knocking on their doors, requesting an hour of the farmer's time.

According to those involved, the survey results that emerge will help farm analysts, lawmakers, producer groups, and the farm input industries understand the needs and problems within the farm sector, and how those needs and problems vary from one type of farm and one region to another.

The project is called the *1984 Farm Costs and Returns Survey*. It's part of the work of USDA's Economic Research Service (ERS) and Statistical Reporting Service (SRS). Put in the simplest terms, SRS compiles the statistics, and ERS economists analyze their meaning. Both agencies report their findings to Congress, farmers, and the general public.

Both agencies are also hoping for a good response rate from farmers. The greater the response, the better the results. And once a sample of producers is selected, new farms cannot be added or substituted in place of refusals. That would destroy the statistical validity of any survey.

Refusals are a concern partly because financial information falls into a very sensitive category. A common reaction is, "It's none of your business."

None of Your Business

"They're right, of course," says SRS statistician Fred Thorp, who is responsible for publishing survey results. "Financial information on individual operations is none of our business. But we're not interested in getting the answers just to be nosy. We're trying to put together a collective picture of what's happening in the farm sector."

ERS economist Jim Johnson contends that farmers should view the survey as an opportunity to tell it the way it is. Even the farms that show large profits typically face huge debts and expenses.

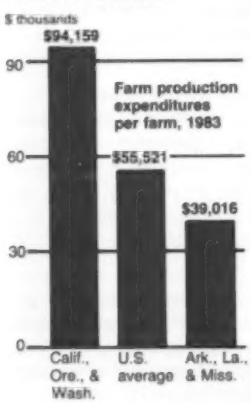
"This is one of the best ways to get your story out," Johnson advises. He heads a group that spends its time analyzing the vital economic statistics of the farm sector, interpreting their meaning, and relating them to conditions in farming. Others in and out of government rely on this information in assessing the health of the agricultural economy and responding to its needs for capital production inputs and farm legislation.

Johnson's point is simple: The vital statistics provide an essential body of knowledge.

"Try to get beyond the generalities and describe conditions in the farm sector without citing figures on farm income, farm debts and assets, costs of production, rising input and interest expenses, parity prices, or returns for individual crop and livestock commodities. You can't do it," he insists. The bottom line,

A Few Examples of Data Available Because of Such Surveys:

The Cost of Keeping a Farm in Production



Costs of Production by Commodity

	1982	1983
Corn ($ per planted acre)[1]		
Cash expenses	216.30	210.65
Receipts minus cash expenses	35.77	47.72
Cotton ($ per planted acre)[2]		
Cash expenses	372.91	348.50
Receipts minus cash expenses	90.17	−23.99
Hogs ($ per cwt)[3]		
Cash expenses	42.52	46.78
Receipts minus cash expenses	11.86	.15
Cow-Calf ($ per cow)[4]		
Cash expenses	252.66	250.82
Receipts minus cash expenses	15.77	1.74

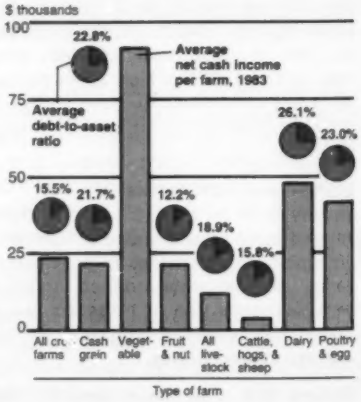
[1]Lake states and Corn Belt region. [2]Southeast. [3]North Central states, farrow to finish operations. [4]Great Plains.

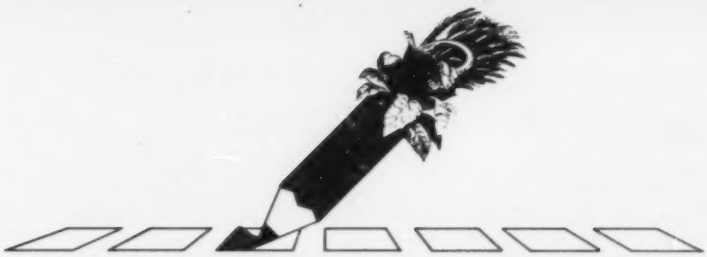
Parity Ratios

	Avg. price received[1]	% of parity
Corn ($/bu.)	2.90	54%
Sorghum ($/cwt)	4.24	47%
Wheat ($/bu.)	3.43	46%
Soybeans ($/bu.)	6.09	47%
Cotton (¢/lb.)	64.9	52%
Rice ($/cwt)	8.12	40%
Peanuts (¢/lb.)	26.3	58%
Potatoes ($/cwt)	4.76	52%
Apples (¢/lb.)	20.7	76%
Oranges ($/box)	11.95	159%
Beef cattle ($/cwt)	55.70	56%
Hogs ($/cwt)	46.30	51%
Sheep ($/cwt)	16.10	44%
Milk ($/cwt)	13.60	58%
Eggs (¢/doz.)	58.4	49%

[1]U.S. average price received by farmers, September 1984.

Farm Income, Debts, and Assets





he adds, is that "all these vital economic statistics depend on data from this survey."

Thorp of SRS is optimistic that farmers are generally in the mood to cooperate. "Our people have been getting a pretty good reception in the last few years. Wheat farmers in Oklahoma know that their costs of production are above their returns, and they want Congress and the voting public to know. They say, 'I'm losing money. Come on in and let me demonstrate it.' "

One of his key selling points is a guarantee of confidentiality. "The questionnaires are not passed on to the IRS, local tax assessors, or anyone else," he says. "Several of our state offices have a furnace, and they burn the questionnaires. Other states shred them, but they're all destroyed as soon as the survey is over and the results, without individual names or addresses, are in the computer."

Two other concerns are related by Robert Tortora, who is chief of the data collection branch in SRS' main office in Washington. This survey is long, he says, and the interview may take an hour or more. That compares with 15 minutes or so for most SRS surveys. Also, he notes that larger producers tend to get selected repeatedly in survey samples because relatively few large producers account for a major share of farm production.

"We're trying to do everything we can to minimize the burden on respondents," he says. "For every 10 questions we ask, we've eliminated about two others that were proposed." Earlier screenings eliminated more questions. "Also, we're trying to get some of the special need items on a rotational basis, so we don't have to ask them every year."

Bigger But Better

The *1984 Farm Costs and Returns Survey* is lengthy partly because it represents a combination of what had formerly been two separate surveys each year—one on farm production expenditures, the other on costs of production. It also includes some debt, asset, and interest expense questions that were once obtained through a third survey on farm finances.

However, the combination does not mean that farmers face three extensive sets of questions. The majority of farmers in the sample are scheduled for the main questionnaire, which focuses on "whole farm" information. Other selected groups are scheduled for separate costs of production surveys on individual commodities, such as rice and sugar beets.

This approach offers some significant advantages. It eliminates the possibility of the same farm being chosen to report both total farm expenditures and selected cost of production information. It also allows survey analysts, for the first time ever, to meld together cost of production information for individual "enterprises" (hogs, corn, soybeans, etc.) with "whole farm" financial data.

The advantages stem from the single, larger survey sample as well as from some key "whole farm" questions that everyone will be asked, thus tying the separate questionnaires together. That makes the value of the new survey greater than the sum of its parts, says ERS' Jim Johnson.

As a result, the data can be broken down a lot further than in the past without losing statistical validity. The ability to further break down or "disaggregate" survey data is a major step forward, according to Johnson, who was one of the prime movers behind the new survey format.

He explains the importance of going after information that plumbs beneath the national averages: "Most past estimates of farm income and farm debts and assets have been published only in total or broken down by sales class. That

It's Soon, It's Confidential, It's Important

Here are some key points that USDA statisticians say they want participants to know about this survey:

- **It's soon.** Interviewers will visit farmers between January 21 and March 8, 1985. The interviewers live and work in local survey areas. They were hired and trained to conduct the survey by USDA specialists.

- **It's voluntary.** You are not required to participate. Remember, though, that your farm was selected by a statistical sampling procedure, and no one else can take your place. Each participant represents many other farmers with similar operations.

- **It's confidential.** After questionnaire data (without names) are fed into a computer, the questionnaires are destroyed so there is no record of any individual's answers. Questionnaires are not sent on to USDA in Washington or shared with any other government agency.

- **It's convenient.** Interviewers will come to your home and can schedule or reschedule surveys at a time convenient to you. You may need to refer to your farm records for some of the information, so it would help to have records handy for the survey.

- **It's important.** Policymakers, farm groups, and the public must be kept informed of how changing regulations, input costs, returns, and technology affect the agricultural economy.

- **It's really the only way.** A survey of a carefully selected sample of farmers is the most accurate and economical way to obtain this information. Mathematical models and computer simulations are important tools for farm analysts, but even they depend on a "real world" data base—in other words, information from farmers themselves.

If you want, your state office will gladly send you a summary of the survey results. Just ask the person who conducts the interview. Results will also be reflected in USDA's estimates of farm income, farm sector debts and assets, costs of production, parity ratios, and other vital economic statistics that are published in farm magazines and newspapers and USDA reports.

provides a very limited perspective on how incomes, debts, and assets may be changing on farms that produce different commodities or use different inputs.

In essence, we've been treating agriculture as though it were one large farm because we didn't have the data to treat it differently."

No Longer One Big Farm

There was a time, he says, when the aggregate treatment wasn't terribly misleading because farms were very much

When USDA Asks, Should Farmers Answer?

▶We asked two farmers. Both of them sit on a special review board that is evaluating the way USDA collects and uses cost of production information. The board was established by the 1981 farm bill.

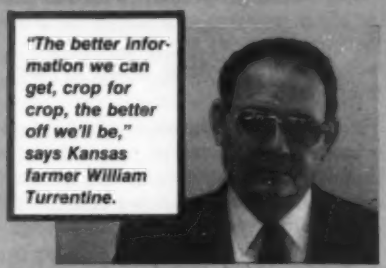
William Turrentine, the board's chairman, is a wheat, sorghum, and alfalfa farmer in Garden City, Kansas. He acknowledges that some farmers are reluctant to provide information on their operation and fear that survey results will hurt them. But he says he has an answer.

"I try to point out that this information is valuable not only to the federal government, USDA, but also to the farmer. It's used by a great many people. Producer groups use it to assess the health of the agriculture industry, and it's used in designing legislation," he says.

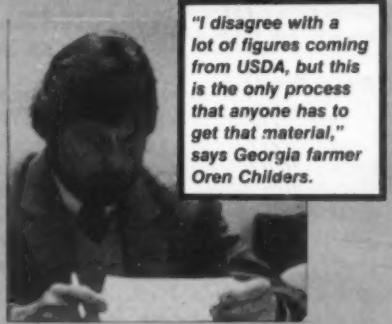
"It's extremely difficult to put together a legislative package on farm programs. People really don't know what the costs [of production] are. They're kind of groping in the dark without this information."

Turrentine isn't altogether satisfied with the data that's available or how it's sometimes presented and used. "I'm bothered by the tendency to aggregate too much. Aggregates don't really tell you how the sector is doing, except in terms of averages. If you are the average farm one day, the next day along comes a hail storm and you're not in the average situation anymore."

Nevertheless, he says he sees progress and expects further improvements will be coming.



"The better information we can get, crop for crop, the better off we'll be," says Kansas farmer William Turrentine.



"I disagree with a lot of figures coming from USDA, but this is the only process that anyone has to get that material," says Georgia farmer Oren Childers.

"[This survey] is combined in such a manner that hopefully we can develop a better package of enterprise costs. It's a long step forward, isolating down to individual crops. The better information we can get, crop for crop, the better off we'll be."

Turrentine notes that different groups often come up with different sets of estimates on costs and returns. "It's my hope that we can eventually put together a package that USDA, the universities, grower groups, and growers themselves can all accept. We need a lot more research on how to collect this stuff, what to collect, and how to assemble it. We [the review board members] have been working closely with the Economic Research Service to get a better set of data, but we have to remember that it costs a lot of money to do these surveys."

Oren Childers grows corn, peanuts, wheat, and soybeans in Cordele, Georgia. He claims to have several reservations about surveys, yet he also says that this survey "is making a move in the right direction."

"I disagree with a lot of figures coming from USDA, but this is the only process that anyone has to get that material. And when a field enumerator goes out, that's about as accurate as they can get."

Accuracy is one of his concerns. A survey, he says, is "no more accurate than the material that's fed into it. The better numbers [the farmers] give them, the better the results."

Another concern that he shares with Turrentine involves the use of averages. "One region can produce a crop a lot cheaper than another region, so figures can be taken out of context. The way they break [this information] down now, it's pretty precise."

Childers has no doubt that the farm sector is going through troubled times. "Some of the problems are of our own doing, but the majority of problems are not." This type of survey, he says, provides "a truer picture faster" of where the problems are and how big they are.

"It's sometimes hard to get people to participate [in the surveys], but I've cooperated with them every time."

alike throughout the country. But not today. If you lump together the financial profile of dairy farms and hog farms, for example, the "average" figures you get aren't representative of either dairy or hog farms. It's just as misleading to lump together large, specialized feeder pig operations in the Midwest with small, part-time hog-corn farms in Appalachia.

"This survey is designed to go deeper than the national averages that are too generalized to tell us who's hurting, who's in a cost squeeze, who's facing liquidity problems by farm sales class, type of farm, location, and ownership," Johnson says.

"The new, expanded survey will provide data which can be used to develop a more disaggregated perspective. Because of the heterogeneous nature of today's farm sector, aggregate data are difficult to use in assessing how changes in input or output levels, price levels, technology, or policy changes may affect different types of farms."

Another advantage, he points out, relates to the rapid changes in the economic environment in the last few years. Analysts have been handicapped by having to project from data that is sometimes 2, 3, and even 4 years old.

"Instead of relying on dated information, we'll be able to answer questions with very recent data. That will help us, farmers, the public, and those who make farm policy."

The payoff of all this, Johnson says, is a broader and more timely perspective on how changes in economic or technological factors affect the well-being of different types and sizes of farms.

Getting the information requires a lot of detailed questions, but Thorp promises that the SRS state offices managing the survey will do everything possible to make it easy for farmers. The interviewers are trained especially for this survey, and they'll schedule the interviews at times convenient for the farmer. The only suggestion he has for the farmer is to try to have farm records handy. "If they're prepared, it can save a significant amount of time." □

[Based on information provided by Jim Johnson and Ken Baum of the National Economics Division, Economic Research Service; Fred Thorp and his colleagues in the Statistical Reporting Service; and others.]

▶We also asked officials of two major farm organizations.

Richard Fritz is director of economics for the National Association of Wheat Growers. What about the growers he represents? Is it in their interest to cooperate?

"Yes, without question," he says. "The farmers feel they ought to be getting back their costs of production, or parity, and then they don't want to provide information on their farms. If the farmers want the numbers, they have to supply the data."

He says the association does more than simply harvest the survey results from USDA. The numbers are carefully analyzed, probed for their validity and meaning, and often recast to put them in a perspective that the association believes is more meaningful. As a matter of fact, that's mainly the job of Kansas farmer William Turrentine, who goes through USDA reports for the wheat growers' association.

Fritz reports two major uses for data originating from these surveys. "The first is for a rough calculation of returns under different farm bill scenarios, whether proposed on the Hill or by grower groups. The other main purpose is for backup information for press reports and [information to groups] outside the agriculture industry."

Charles L. Frazier, director of the Washington office of the National Farmers Organization, offers a similar explanation of the value of the survey.

"I use [costs and returns data] in legislative discussions with people in Congress, in formulating our position on farm legislation, and in statements to the public to show them that farm commodity prices are far too low," he says. "In 1981, some of us were specifically responsible for getting costs of production used as the basis for setting the support prices that were written into law."

Although Frazier is quick to affirm that the survey data is needed by those who represent farmers, he also says he understands the reservations a farmer might have in supplying it.

"I have to confess that many farmers have gotten very, very tired of filling out forms, surveys, questionnaires, and polls." He says surveys are conducted by many groups and have now become a "favorite technique" of advertisers.

Another reason behind the reluctance to respond, he adds, is suspicion about how the information will be used.

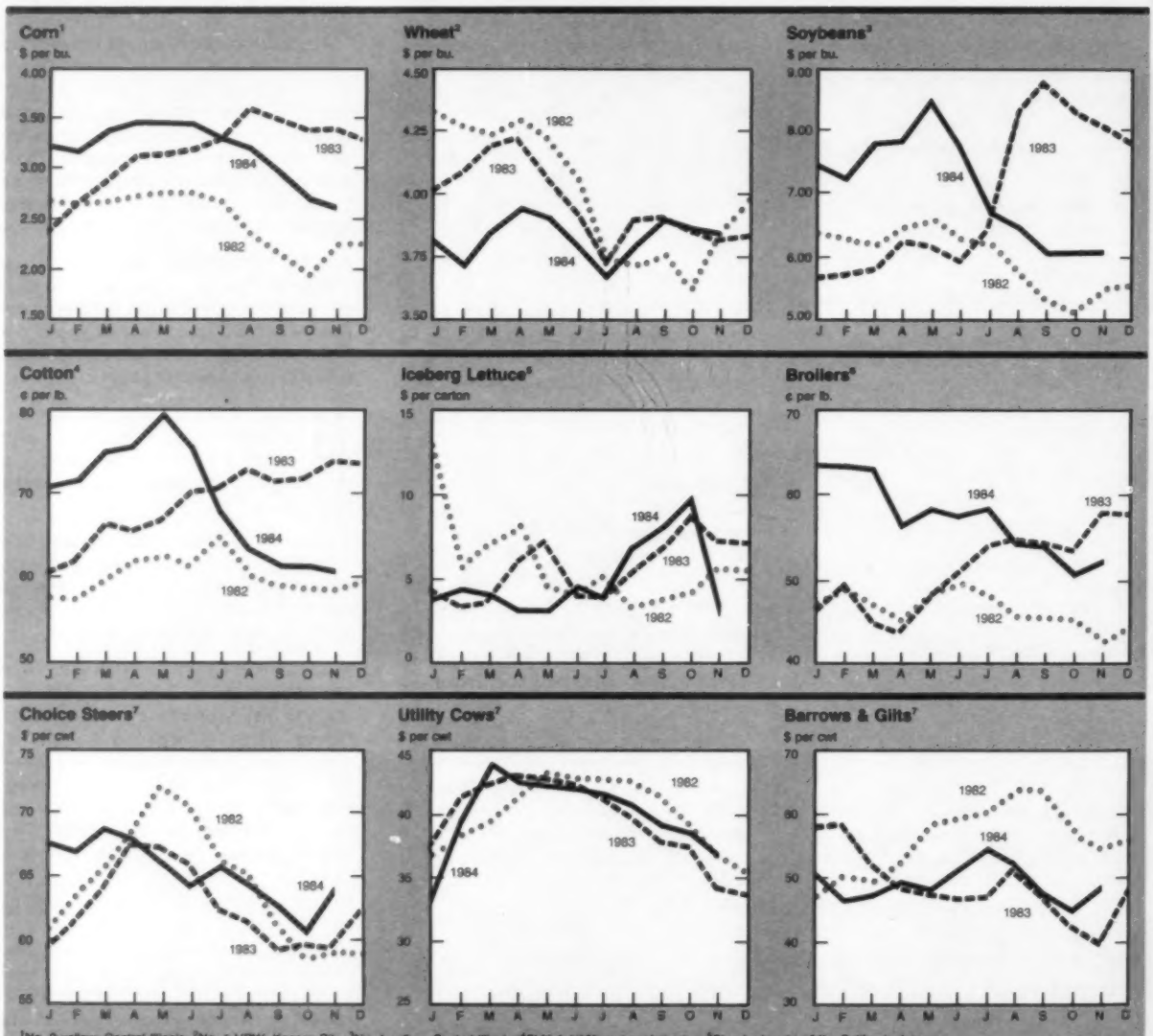
"There's a well-developed resistance on the part of producers to furnish the government with information because they feel that such data...is used most freely by their adversaries, those that buy from them and sell to them. So they say, the [heck] with it. Why should everyone know my business?"

"This attitude is something you [at USDA] have to deal with."

FARMLINE TRENDS

Monthly Price Monitor

USDA's November index of farm prices dropped 0.7% from October and was just 1.5% above its year-earlier level. Corn sagged to $2.63, its lowest price in 22 months. During 1983's harvest, corn sold for $3.38. Wheat remained in the $3.85 range, while soybeans stagnated at $6.07. Cotton slipped to 60.4 cents/lb., its lowest since January 1983. After 3 months of $7-$10 prices, lettuce wilted back to $3.48. In the livestock area, broiler prices rose slightly to 52.4 cents, choice steers climbed back above $64 per cwt, and barrows and gilts jumped $4 to $48.86, more than $9 above their year-earlier level. All prices are monthly averages.



[1]No. 2 yellow, Central Illinois. [2]No. 1 HRW, Kansas City. [3]No. 1 yellow, Central Illinois. [4]SLM 1-1/16" spot market price. [5]Standard carton 24's, California-Arizona. [6]Wholesale, New York. Monthly average prices since May 1983 may not be strictly comparable with prices for previous months. [7]Omaha.

Leading States in Cash Receipts from Farming, 1983[1]

	1st	2nd	3rd	4th	5th	6th	7th	8th
	millions of dollars (000,000)							
All commodities (U.S. total: $138.7 billion)	California 13,494	Iowa 9,335	Texas 8,970	Illinois 8,144	Minnesota 6,277	Nebraska 6,010	Kansas 5,398	Wisconsin 5,203
Cattle and calves (U.S. total: $28.7 billion)	Texas 4,193	Nebraska 3,131	Kansas 2,625	Iowa 2,105	Colorado 1,652	Oklahoma 1,335	California 1,267	South Dakota 1,061
Dairy products (U.S. total: $18.8 billion)	Wisconsin 3,076	California 1,948	New York 1,574	Minnesota 1,402	Pennsylvania 1,331	Michigan 740	Ohio 642	Texas 577
Corn (U.S. total: $12.2 billion)	Illinois 3,512	Iowa 1,967	Indiana 967	Nebraska 950	Minnesota 838	Ohio 680	Michigan 543	Wisconsin 427
Soybeans (U.S. total: $12.0 billion)	Iowa 1,945	Illinois 1,941	Minnesota 1,058	Missouri 905	Indiana 813	Ohio 777	Arkansas 643	Louisiana 542
Hogs (U.S. total: $9.7 billion)	Iowa 2,556	Illinois 1,124	Indiana 912	Minnesota 734	Missouri 650	Nebraska 626	North Carolina 373	Ohio 334
Wheat (U.S. total: $9.0 billion)	Kansas 1,360	North Dakota 1,101	Oklahoma 693	Washington 642	Montana 589	Texas 513	Minnesota 440	South Dakota 328
Broilers (U.S. total: $4.8 billion)	Arkansas 729	Georgia 677	Alabama 553	North Carolina 487	Mississippi 373	Maryland 331	Delaware 271	Texas 261
Cotton (U.S. total: $4.3 billion)	California 1,142	Texas 877	Mississippi 639	Arizona 423	Louisiana 341	Arkansas 200	Alabama 168	Tennessee 132
Tobacco (U.S. total: $2.8 billion)	North Carolina 1,020	Kentucky 793	Tennessee 239	South Carolina 195	Virginia 186	Georgia 164	Maryland 57	Ohio 40
Barley (U.S. total: $962 million)	North Dakota 183	Montana 151	Washington 137	California 113	Idaho 99	Minnesota 85	Colorado 40	Oregon 38
Rice (U.S. total: $874 million)	Arkansas 324	California 241	Louisiana 139	Texas 96	Mississippi 52	Missouri 28	—	—
Apples (U.S. total: $815 million)	Washington 257	New York 99	Michigan 69	Pennsylvania 50	California 43	Virginia 42	North Carolina 37	Idaho 25
Peanuts (U.S. total: $787 million)	Georgia 368	Alabama 113	Texas 91	North Carolina 72	Oklahoma 47	Virginia 44	Florida 41	New Mexico 8
Lettuce (U.S. total: $784 million)	California 542	Arizona 117	Florida 47	New Mexico 22	New York 12	Colorado 11	Texas 9	New Jersey 7

Several product categories not shown.
[1]Cash receipts include net Commodity Credit Corporation loans.

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